



Rating
Buy

Asia
China

Utilities
Utilities

Company
**Huaneng Power Intl
Alert**

Reuters 0902.HK	Bloomberg 902 HK	Exchange HKG	Ticker 0902
ADR Ticker HNP	ISIN US4433041005		

Date
24 March 2015

Results

Price at 24 Mar 2015 (HKD)	9.26
Price target - 12mth (HKD)	11.10
52-week range (HKD)	11.30 - 7.30
HANG SENG INDEX	24,495

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Stock data	
Market cap (HKDm)	133,533
Market cap (USDm)	17,218
Shares outstanding (m)	14,104.0
Major shareholders	HIPDC (43.12%)
Free float (%)	30.7
Avg daily value traded (USDm)	31.3

Source: Deutsche Bank

Key data			
FYE 12/31	2013A	2014E	2015E
Sales (CNYm)	132,789	122,595	139,046
Net Profit (CNYm)	10,426.0	11,590.9	13,619.7
DB EPS (CNY)	0.849	0.864	0.944
PER (x)	7.3	8.6	7.9
Yield (net) (%)	6.1	5.7	6.5

Source: Deutsche Bank

Underlying results in line; Rmb2bn impairment charge booked

Huaneng's 2014 reported net profit was up by 3.2% to Rmb10.76bn after booking Rmb2.1bn impairment - recurring net profit was Rmb12.3bn (+3%) and in line with our forecast. The weak growth could be largely explained by the tariff cut and a 7.5% drop in generation. However, thanks to the announced asset injection and relatively milder utilization decrease, Huaneng guided for 17% yoy output growth in 2015. The stock is trading at an attractive 7.9x 15E PE with 5.1% dividend yield, Buy.

Recurring net profit +3% yoy to Rmb12.3bn, in line

Huaneng Power reported its 2014 results with net profit up by 3.2% to Rmb10.76bn. Stripping out impairment charges (Rmb2.1bn), one-off subsidies for Tuas Power (Rmb462m) and disposal loss (Rmb446m), recurring net profit was up by 3% yoy to Rmb12.3bn, in line with our recurring earnings forecast of Rmb12.2bn. Singapore contributed Rmb128m net profit in 2014 (+14% yoy), or only 1% of total net profit.

Net gearing (net debt/total equity) was down 33ppt to 243% as of end-2014. Free cash flow remained positive at Rmb5.4bn. Huaneng maintains its 50% payout ratio and declared a dividend of Rmb0.38/share, implying a 5.1% dividend yield.

Details of Rmb2.12bn impairment charges booked

The Rmb2.12bn impairment charges mainly include 1) Rmb1.0bn for PPE: Rmb569m on Ports (mainly Yingkou Port), Rmb291m on coal-fired units and Rmb103m on hydro units; 2) Rmb351m for construction-in-progress on coal-mines; and 3) Rmb641m for goodwill: Rmb202m on Diandong Energy and Rmb439m on Diandong Yuwang. No goodwill impairment has been booked for Tuas Power.

2015 outlook: output +17%; utilization -2.5%

Despite of an 8.0% decline in unit fuel cost (to Rmb201.2/MWh) in 2014, the cost saving was largely offset by the 7.5% decline in generation and impact of tariff cut. Looking into 2015, Huaneng targets to achieve 345bn kWh of power output domestically (+17.2% yoy) on capacity growth (thanks to the contribution from asset injection last Oct); while guiding mild downside in utilization to 4,460 hours (vs. 4,572hrs in 2014).

Huaneng will host an analyst briefing at 10am, 26 Mar (5F, Island Shangri-la) and we will follow up with more details.

Deutsche Bank AG/Hong Kong

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